GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:240
ANSWERED ON:30.11.2007
HIGH CHARGES BY PRIVATE AND FOREIGN BANKS.
Rana Shri Kashi Ram;Singh Deo Smt. Sangeeta Kumari

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that the Private Banks and Foreign Banks are levying more service charges for money-transfer and other transactions than what is levied by the nationalised banks;

(b) if so, the details thereof and the policy of RBI in this regard;

(c) whether the RBI has taken action against such banks; and

(d) if so, the outcome thereof?

Answer

THE MINISTER OF FINANCE (Shri P. Chidambaram)

(a) to (d) : A Statement is laid on the Table of the Lok Sabha.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.240 FOR 30TH NOVEMBER, 2007 REGARDING HIGH CHARGES BY PRIVATE AND FOREIGN BANKS TABLED BY SHRIMATI SANGEETA KUMARI SINGH DEO AND SHRI KASHIRAM RANA

(a) to (d) : Reserve Bank of India (RBI) has reported that it has no specific information in this regard.

After deregulation of service charges by RBI in September, 1999, the banks have operational flexibility to fix service charges for various types of services provided by them, with the approval of their Board of Directors. However, while fixing the service charges, the banks are expected to ensure that the charges are reasonable, consistent with the cost of providing the services and that the customers with low value / volume of transactions are not penalized. Further, based on the recommendations of the Working Group constituted by RBI to formulate a Scheme for ensuring reasonableness of bank charges, RBI has issued instructions to the banks on 2nd February, 2007, to identify basic banking services and the principles to be adopted / followed by them for ensuring reasonableness in pricing, and communicating the service charges. The banks have also been advised to ensure that customers are made aware of the service charges upfront and changes in these charges are implemented only after prior notice to the customers. The remittance facility provided by banks has been identified as one of the basic banking services.

RBI has enlarged the scope of the Banking Ombudsman Scheme to cover complaints of the banks` customers concerning credit cards, service charges, delays in delivery of bank services, etc.